

**OCQUEOC TOWNSHIP  
PRESQUE ISLE COUNTY, MICHIGAN**

**Financial Statements  
For the Fiscal Year Ended March 31, 2007**

### Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name OCQUEOC TOWNSHIP	County PRESQUE ISLE
Fiscal Year End 3/31/07	Opinion Date 7/16/07	Date Audit Report Submitted to State 7/20/07	

We affirm that:


We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- ☒ ☐ **Check each applicable box below.** (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - ☒ ☐ The local unit has adopted a budget for all required funds.
  - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
  - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  - ☒ ☐ The local unit is free of repeated comments from previous years.
  - ☒ ☐ The audit opinion is UNQUALIFIED.
  - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
  - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) JW KIELISZEWSKI CPA PC		Telephone Number 989-734-4844	
Street Address 476 NORTH THIRD STREET		City ROGERS CITY	State MI
Authorizing CPA Signature 		Printed Name J W KIELISZEWSKI	License Number 1001010056

# OCQUEOC TOWNSHIP

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**INDEPENDENT AUDITOR'S REPORT**

Township Board  
Ocqueoc Township  
Presque Isle County, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of ***Ocqueoc Township, Presque Isle County, Michigan*** (the "Township"), as of and for the year ended March 31, 2007, which collectively comprise the Township's basis financial statements, as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

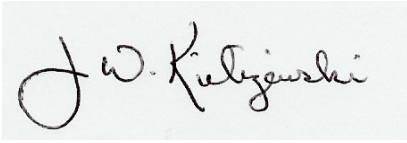
I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of ***Ocqueoc Township***, as of March 31, 2007, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the

**Ocqueoc Township**  
Independent Auditor's Report  
(Continued)

supplementary information. However, I did not audit the information and express no opinion on it.

A handwritten signature in black ink, reading "J.W. Kieliszewski". The signature is written in a cursive style with a large, stylized initial "J".

J.W. Kieliszewski, CPA  
July 16, 2007

## **OCQUEOC TOWNSHIP**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2007. Please read it in conjunction with the financial statements, which immediately follow this section.

#### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

#### **FINANCIAL HIGHLIGHTS**

Assets at March 31, 2007 totaled \$274,522 for governmental activities. Of the total, \$3,638 represents capital assets, net of depreciation.

Revenues derived from governmental activities were \$160,871 (\$21,124 from program revenues and \$139,747 from general revenues). Overall expenditures for the Township's governmental activities were \$105,359.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts: (1) management's discussion and analysis (MD&A), (2) the basic financial statements, and (3) required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities and/or business-type activities. There were no business-type activities for the fiscal year ended March 31, 2007.

The remaining statements are fund financial statements, which focus on the individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

**Ocqueoc Township****Management's Discussion and Analysis (MD&A)**

(Continued)

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide statements report information about the Township as a whole, using accounting methods used by private companies. The Statement of Net Assets includes all of the Township's assets and liabilities. The Statement of Activities records all of the current year's revenues and expenditures, regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities. This is one method to measure our financial health or position.

Over time, increases or decreases in the Township's net assets are an indicator of whether financial position is improving or deteriorating.

To assess the overall health of the Township, additional factors such as tax base changes, facility conditions, and personnel changes may be considered.

Most of the activities of the Township are reported as governmental activities. These would include the operations recorded in the General Fund.

**FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds, not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board may also create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Township has the following types of funds:

**Governmental Funds**

Most of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note the differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

The Township maintains only one individual governmental fund, a General Fund, which we consider to be a major fund. This fund is financed primarily by property tax revenue and state shared revenues.

## **Fiduciary Funds**

The Township acts as a trustee or fiduciary and is responsible for insuring that the assets of these activities are collected and disbursed to the respective entities to which the funds belong. The Township maintains these funds and is responsible for insuring that the assets of these activities are spent for their intended purpose and at the direction of those individuals or organizations to which the funds belong. These activities do not appear in the Township's government-wide financial statements since the assets do not belong to the Township. The Township maintains a Tax Collection Fund in this category.

## **FUND ANALYSIS OF THE TOWNSHIP AS A WHOLE**

### **Net Assets**

The Township's governmental activities net assets increased approximately \$55,512 during the year, to total \$274,522.

## **FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS**

### **Governmental Activities**

The general activities remained consistent, and the Township continued to provide the same services to its residents: administrative, assessing, elections, township hall maintenance, road maintenance, tax collection, street lighting, ambulance service and fire protection.

### **Capital Asset Administration**

At March 31, 2007, the Township had \$63,858 in capital assets, including the town hall, land, computers and other office equipment.

## **CONTACTING TOWNSHIP MANAGEMENT**

The financial report is designed to provide our citizens, creditors, investors, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for revenues it receives. If you have any questions concerning this report, or need additional information, please contact the Township Clerk at (989) 733-8238.



**OCQUEOC TOWNSHIP**  
**STATEMENT OF NET ASSETS**  
**March 31, 2007**

	Primary <u>Government</u>
	Governmental <u>Activities</u>
<b><u>ASSETS</u></b>	
Cash and cash equivalents	\$ 215,894
Investments	56,880
Capital Assets	63,858
Accumulated depreciation	<u>(62,028)</u>
<b>Total Assets</b>	<b><u>\$ 274,604</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>	
<b>Liabilities</b>	
Accounts payable	\$ 82
<b>Net Assets</b>	
Invested in capital assets	1,830
Unrestricted	<u>272,692</u>
<b>Total Net Assets</b>	<b><u>274,522</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 274,604</u></b>

The accompanying notes are an integral part of these financial statements.

**OCQUEOC TOWNSHIP**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended March 31, 2007**

		Net (Expense) Revenue and Changes in Net Assets	
		Primary Government	
		<u>Program Revenues</u>	
<u>Functions / Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>TOTAL</u>
Primary government			
Governmental activities			
General government	\$ 65,313	\$ 11,002	\$ (54,311)
Public safety	18,214	-	(18,214)
Public works	<u>21,832</u>	<u>10,122</u>	<u>(11,710)</u>
<b>Total governmental activities</b>	<u>105,359</u>	<u>21,124</u>	<u>(84,235)</u>
<b>General revenues</b>			
			73629
			57,615
			5,648
			<u>2,855</u>
		<b>Total general revenues</b>	<u>139,747</u>
		<b>Change in net assets</b>	<u>55,512</u>
		<b>Net assets, beginning of year</b>	<u>219,010</u>
		<b>Net assets, end of year</b>	<u><u>\$ 274,522</u></u>

The accompanying notes are an integral part of these financial statements.

**OCQUEOC TOWNSHIP**

**BALANCE SHEET – GOVERNMENTAL FUNDS**

**March 31, 2007**

		<b>Total Governmental Funds</b>
<b><u>ASSETS</u></b>	<b><u>General</u></b>	
Cash and cash equivalents	\$215,894	\$ 215,894
Investments	<u>56,880</u>	<u>56,880</u>
<b>Total Assets</b>	<b><u>\$272,774</u></b>	<b><u>\$ 272,774</u></b>

**LIABILITIES AND FUND BALANCES**

**Liabilities**

Accounts payable	\$ 82	\$ 82
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**Fund Balances**

Unreserved, undesignated	<u>272,692</u>	<u>272,692</u>
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<b>Total Liabilities and Fund Balances</b>	<b><u>\$272,774</u></b>	<b><u>\$ 272,774</u></b>
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**Reconciliation of fund balances on the balance  
sheets for governmental activities to the  
statement of net assets**

Fund Balances - Total Governmental Funds	\$ 272,692
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Amounts reported for governmental activities  
in the statement of net assets are different because:

Capital assets used in governmental activities  
are not financial resources and, therefore,  
are not reported in the funds.

Add: capital assets	63,858
Subtract: accumulated depreciation	<u>(62,028)</u>

Net Assets of Governmental Activities	<b><u>\$ 274,522</u></b>
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The accompanying notes are an integral part of these financial statements.

**OCQUEOC TOWNSHIP**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES**

**GOVERNMENTAL FUNDS**

**For the Fiscal Year Ended March 31, 2007**

	<b>General</b>	<b>Total Governmental</b>
<b><u>REVENUES</u></b>	<b><u>Fund</u></b>	<b><u>Funds</u></b>
Taxes	\$ 73,629	\$ 73,629
State shared revenues	57,615	57,615
Charges for services	21,124	21,124
Interest	5,648	5,648
Other	2,855	2,855
	<hr/>	<hr/>
<b>Total Revenues</b>	160,871	160,871
	<hr/>	<hr/>
<b><u>EXPENDITURES</u></b>		
Legislative	7,214	7,214
General government	57,195	57,195
Public safety	18,214	18,214
Public works	21,832	21,832
	<hr/>	<hr/>
<b>Total Expenditures</b>	104,455	104,455
	<hr/>	<hr/>
<b>Revenues Over (Under) Expenditures</b>	56,416	56,416
	<hr/>	<hr/>
<b>Fund Balances, beginning of year</b>	216,276	216,276
	<hr/>	<hr/>
<b>Fund Balances, end of year</b>	\$272,692	\$ 272,692
	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

**OCQUEOC TOWNSHIP**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES**

**GOVERNMENTAL FUNDS  
For the Fiscal Year Ended March 31, 2007**

	<b>General</b>	<b>Total</b>
<b><u>REVENUES</u></b>	<b><u>Fund</u></b>	<b><u>Funds</u></b>
Taxes	\$ 73,629	\$ 73,629
State shared revenues	57,615	57,615
Charges for services	21,124	21,124
Interest	5,648	5,648
Other	<u>2,855</u>	<u>2,855</u>
<b>Total Revenues</b>	<u>160,871</u>	<u>160,871</u>
<b><u>EXPENDITURES</u></b>		
Legislative	7,214	7,214
General government	57,195	57,195
Public safety	18,214	18,214
Public works	<u>21,832</u>	<u>21,832</u>
<b>Total Expenditures</b>	<u>104,455</u>	<u>104,455</u>
 <b>Revenues Over (Under) Expenditures</b>	 56,416	 56,416
 <b>Fund Balances, beginning of year</b>	 <u>216,276</u>	 <u>216,276</u>
 <b>Fund Balances, end of year</b>	 <u><u>\$272,692</u></u>	 <u><u>\$ 272,692</u></u>

The accompanying notes are an integral part of these financial statements.

**OCQUEOC TOWNSHIP**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES**

**GOVERNMENTAL FUNDS  
For the Fiscal Year Ended March 31, 2007**

**Reconciliation of statement of revenues, expenditures and  
changes in fund balances of governmental funds to statement  
of activities**

Net Change in Fund Balances - Total Governmental Funds	\$	56,416
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Amounts reported for governmental activities in the statement of  
activities are different because:

Governmental funds report capital outlays as expenditures.  
However, those costs are allocated over their useful lives as  
annual depreciation expense in the statement of activities.

Subtract: depreciation expense		<u>(904)</u>
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Changes in Net Assets of Governmental Activities	\$	<u><u>55,512</u></u>
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The accompanying notes are an integral part of these financial statements.

**OCQUEOC TOWNSHIP**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUND**  
**March 31, 2007**

**ASSETS**

Cash	\$ 83,207
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**LIABILITIES**

Due to others	<u>83,207</u>
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**NET ASSETS**

Fiduciary Net Assets	<u>\$ -</u>
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The accompanying notes are an integral part of these financial statements.

**OCQUEOC TOWNSHIP**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**

**FIDUCIARY FUND**

**For the Fiscal Year Ended March 31, 2007**

**ADDITIONS**

Property tax collections for other governmental units \$1,218,611

**DEDUCTIONS**

Property tax distributions to other governmental units 1,218,611

Change in net assets -

Fiduciary net assets, beginning of year -

Fiduciary net assets, end of year \$ -

The accompanying notes are an integral part of these financial statements.



## **OCQUEOC TOWNSHIP**

### **NOTES TO FINANCIAL STATEMENTS**

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Ocqueoc Township, Presque Isle County, Michigan (the “Township”) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the most significant policies.

On April 1, 2006, the Township adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and Statement No. 38, *Certain Financial Statement Note Disclosures*. Under the provisions of GASB Statements Nos. 34 and 38, the focus of the Township’s financial statements has shifted from a fund focus to a government-wide focus.

#### **THE REPORTING ENTITY**

The Township was organized in 1877, and covers an area of approximately 72 square miles. The Township operates under an elected Board comprised of a Supervisor, Treasurer, Clerk and two Trustees, and provides services to its approximately 700 full-time residents.

In accordance with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, the financial statements of the reporting entity include those of the Township and any component units. The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit’s general-purpose financial report is the exercise of oversight responsibility over such agencies by the governmental unit’s elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The Township has determined that no entities should be consolidated into its general-purpose financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

#### **GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

##### **Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the

effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues are reported instead as general revenue.

### **Fund Financial Statements**

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Major funds are generally those that represent ten percent (10%) or more of the respective fund type assets, liabilities, revenues or expenditures. The Township considers all funds to be major funds.

### **MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenditures are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the government receives cash.

The Township reports the following major governmental fund:

### **General Fund**

The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. Financing is provided primarily by property taxes and state shared revenues.

The Township reports the following fiduciary fund:

### **Trust and Agency Fund**

The Tax Collection Fund is used to account for property taxes collected for the Township and as an agent for other governmental units. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

## **ASSETS, LIABILITY AND NET ASSETS OR EQUITY**

### **Cash and Cash Equivalents**

Cash and cash equivalents consist of demand deposits, cash in savings and money market accounts.

### **Investments**

Investments are stated at cost, which approximates market, and consist of certificates of deposit with maturity values of three months or longer.

### **Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental activities column in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of \$250 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Expenditures for maintenance and repair are charged to current expenditures as incurred. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15-40 years
Equipment	5-10 years

### **Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Issuance costs are reported as debt service expenditures. The Township has no long-term obligations as of March 31, 2007 as all such obligations were paid in full on March 31, 2007.

### **Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent that portion of fund equity for which the Township has made tentative management plans that are subject to change. Undesignated fund balance indicates that portion of fund equity which is available for budgeting in future periods.

### **USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **COMPARATIVE DATA**

Comparative data for the prior year is not included in the Township's financial statements.

### **ACCOUNTING CHANGE**

In June 1999, the GASB unanimously approved Statement No. 34, previously referenced in these Notes to Financial Statements. Effective April 1, 2006, the Township implemented the provisions of GASB 34. Changes to the Township's financial statements as a result of GASB 34 are as follows:

- A Management's Discussion and Analysis (MD&A) section providing analysis of

- the Township's overall financial position and results of operations.
- Government-wide financial statements (Statement of Net Assets and Statements of Activities) prepared using full accrual accounting for all of the Township's activities.
  - A change in the fund financial statements with a focus on major funds.
  - Capital assets in the governmental activities column of the Statement of Net Assets include assets previously reported in the General Fixed Asset Account Group.
  - Liabilities in the governmental column of the Statement of Net Assets include bonds and other long-term obligations previously reported in the General Long-term Debt Account Group.

## **NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **Budgets and Budgetary Accounting**

Budgets are adopted by Township officials in compliance with P.A. 621 of 1978 (the Uniform Budgetary Act) for the General and Special Revenue Funds. The Township follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the Township Clerk submits to the Township Board a proposed operating budget for the fiscal year, commencing on April 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to March 31, the budget is legally enacted through passage of a resolution.
4. Budgeted amounts are as originally adopted, or as amended by the Township Board.
5. All appropriations lapse at year-end.

Budgets are to be prepared on the same basis of accounting as the financial statements.

### **Excess of Expenditures Over Appropriations in Budgeted Funds**

P.A. 621 of 1978, Section 18 (1), as amended (MCL 141.421 et seq.) provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the governmental funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level.

During the year ended March 31, 2007, the Township did not incur any such excessive expenditure.

### **NOTE 3 – DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements, banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

All accounts are in the name of the Township and a specific fund. They are recorded in Township records at cost. Interest is recorded when deposits mature or is credited to the applicable account.

The caption on the combined balance sheet relating to cash and cash equivalents and investments of \$272,774 represents deposits in four financial institutions located in Presque Isle County, Michigan in varying amounts, as follows:

Cash and Cash Equivalents	\$215,894
Investments	<u>56,880</u>
Total	<u>\$272,774</u>

Investments are categorized into three categories of credit risk:

- Category 1 – Insured or registered, or securities held by the Township or its agent in the Township's name;
- Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name; and
- Category 3 – Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Township's name.

**Ocqueoc Township**  
Notes to Financial Statements  
(Continued)

At year end the carrying amount of the Township's deposits were classified as to risk as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$246,995	\$246,990
Uninsured-uncollateralize	<u>25,779</u>	<u>25,779</u>
Total	<u>\$272,774</u>	<u>\$272,769</u>

**NOTE 4 – PROPERTY TAXES**

Property tax revenues for the year ended March 31, 2007, reflected in the accompanying financial statements include property taxes levied December 31, 2005. These taxes are due by February 15, 2006, and are added to the County tax rolls after February 28, 2006. The Township will receive 100% payment for the delinquent Township tax by June 2006, exclusive of delinquent personal property taxes.

The taxable value of the Township totaled \$38,850,329, on which ad valorem taxes consisted of .9855 mills for the Township's operating purposes and .9097 mills for emergency services, raising \$38,287 for operating purposes and \$35,342 for emergency services.

The Township did not disburse the 2005 tax levy prior to the March 31, 2006 year end. Instead, funds were disbursed in April 2006, the first month of the current March 31, 2007 fiscal reporting period. The reporting delay was continued in the current year with the 2006 tax levy still held in the tax collection fiduciary account. This amount was \$83,207, and represents taxes of \$71,182 and collection fees, etc. of \$12,025. Additionally, as the 2006 levy was not reported as income, the \$6,500 of delinquent 2006 taxes were also not reported as income and receivable. The difference in reported income from the 2005 versus the 2006 tax levy is approximately \$4,050, and represents a timing difference that the Township will seek to correct in fiscal year ending March 31, 2008.

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity of the governmental activities for the current fiscal year follows:

	Balance 1-Apr-04	Additions	Deletions	Balance 31-Mar-05
Not being depreciated:				
Land	\$ 1,830	\$ -	\$ -	\$ 1,830
Being depreciated:				
Building and building improvements	45,305	-	-	45,305
Furniture, fixtures and equipment	<u>16,723</u>	<u>-</u>	<u>-</u>	<u>16,723</u>
Subtotal	63,858	-	-	63,858
Less: accumulated depreciation	<u>(59,315)</u>	<u>(905)</u>	<u>-</u>	<u>(60,220)</u>
Total	<u>\$ 4,543</u>	<u>\$ (905)</u>	<u>\$ -</u>	<u>\$ 3,638</u>

Depreciation was charged to the Township's functions as follows:

General government	<u>\$904</u>
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**NOTE 6 – PENSION PLAN**

The Township provides pension benefits through a defined contribution plan covering to all Board members, which is administered through Travelers Insurance Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township Board, the Township contributes twelve percent (12%) of employees' gross earnings. In accordance with these requirements, the Township contributed \$3,701 for the year ended March 31, 2007; fees and other charges were \$125.

**NOTE 7 – RISK MANAGEMENT**

The Township participates in the Michigan Municipal Liability and Property Pool for general liability, property loss, professional, public official errors and omissions liabilities. This plan is a self-insurance risk association operating within the State of Michigan pursuant to Act 138, Michigan Public Acts of 1982. This plan, through its risk



**Ocqueoc Township**

## Notes to Financial Statements

(Continued)

manager, secures insurance policies or reinsurance treaties to cover the risks undertaken on behalf of the Township. The Township pays an annual premium to the Michigan Municipal Liability and Property Pool for its general insurance coverage and has no additional liability beyond the premiums made to this plan and the \$1,000 deductible amounts.

The plan has a maximum liability for property of \$165,363; general liability of \$1,000,000; public officials' wrongful acts liability of \$1,000,000; automobile liability of \$1,000,000; crime liability of \$10,000; and \$5,000 - \$25,000 bonding for public officials. The policy cost for the fiscal year ended March 31, 2007 was \$3,209.

Additionally, the Township has purchased commercial insurance for workman's compensation benefits.

Claims for commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

**OCQUEOC TOWNSHIP**

**REQUIRED SUPPLEMENTARY INFORMATION**

**GENERAL FUND  
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND  
BALANCE – BUDGET AND ACTUAL  
For the Fiscal Year Ended March 31, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive/(Neg)</u>
<b><u>REVENUES</u></b>				
<b>Taxes</b>				
Property tax	\$ 61,827	\$ 61,827	\$ 73,629	11,802
Collection fees	<u>10,649</u>	<u>10,649</u>	<u>11,002</u>	<u>353</u>
<b>Total taxes</b>	<u>72,476</u>	<u>72,476</u>	<u>84,631</u>	<u>12,155</u>
<b>State shared revenues</b>				
State land tax and commercial forest	14,000	14,000	14,356	356
State shared revenues	<u>32,000</u>	<u>32,000</u>	<u>43,259</u>	<u>11,259</u>
<b>Total state shared revenues</b>	<u>46,000</u>	<u>46,000</u>	<u>57,615</u>	<u>11,615</u>
<b>Charges for services-sanitation-landfill fees</b>	<u>10,000</u>	<u>10,000</u>	<u>10,122</u>	<u>122</u>
<b>Interest income</b>	<u>3,000</u>	<u>3,000</u>	<u>5,648</u>	<u>2,648</u>
<b>Other income</b>	<u>2,250</u>	<u>2,250</u>	<u>2,855</u>	<u>605</u>
<b>TOTAL REVENUES</b>	<u>133,726</u>	<u>133,726</u>	<u>160,871</u>	<u>27,145</u>

(Continued on next page)

**OCQUEOC TOWNSHIP**

**REQUIRED SUPPLEMENTARY INFORMATION**

**GENERAL FUND  
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND  
BALANCE – BUDGET AND ACTUAL  
For the Fiscal Year Ended March 31, 2007**

(Continued from previous page)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive/(Neg)
<b><u>EXPENDITURES</u></b>				
<b>Legislative</b>				
Township Board	\$ 7,500	\$ 7,500	\$ 7,214	\$ 286
Board of review	2,000	2,000	1,678	322
Fringe benefits	5,000	5,000	4,180	820
Supplies	<u>8,000</u>	<u>8,000</u>	<u>400</u>	<u>7,600</u>
<b>Total Legislative</b>	<u>22,500</u>	<u>22,500</u>	<u>13,472</u>	<u>9,028</u>
<b>General Government</b>				
Supervisor	5,200	5,200	5,015	185
Elections	3,000	3,000	2,312	688
Assessor	13,505	13,505	13,230	275
Clerk	5,900	5,900	5,884	16
Treasurer	13,180	13,180	12,129	1,051
Cemetery	1,500	1,500	315	1,185
Township Hall	<u>8,000</u>	<u>8,000</u>	<u>7,184</u>	<u>816</u>
<b>Total General Government</b>	<u>50,285</u>	<u>50,285</u>	<u>46,069</u>	<u>4,216</u>
<b>Public Safety</b>				
Fire Contract	22,000	22,000	18,214	3,786
Ambulance / Welfare	<u>2,500</u>	<u>2,500</u>	<u>200</u>	<u>2,300</u>
<b>Total Public Safety</b>	<u>24,500</u>	<u>24,500</u>	<u>18,414</u>	<u>6,086</u>

(Continued on next page)

**OCQUEOC TOWNSHIP**

**REQUIRED SUPPLEMENTARY INFORMATION**

**GENERAL FUND  
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND  
BALANCE – BUDGET AND ACTUAL  
For the Fiscal Year Ended March 31, 2007**

(Continued from previous page)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive/(Neg)
<b>Public Works</b>				
Streets and highways				
Contracted services	<u>5,000</u>	<u>5,000</u>	<u>2,000</u>	<u>3,000</u>
Sanitation				
Supplies	5,000	5,000	4,983	17
Contracted services	<u>20,000</u>	<u>20,000</u>	<u>19,517</u>	<u>483</u>
Total Sanitation	<u>25,000</u>	<u>25,000</u>	<u>24,500</u>	<u>500</u>
 <b>Total Public Works</b>	 <u>30,000</u>	 <u>30,000</u>	 <u>26,500</u>	 <u>3,500</u>
 <b>TOTAL EXPENDITURES</b>	 <u>127,285</u>	 <u>127,285</u>	 <u>104,455</u>	 <u>22,830</u>
 <b>Revenues Over (Under) Expenditures</b>	 6,441	 6,441	 56,416	 49,975
 <b>Fund Balances, Beginning of Year</b>	 <u>216,276</u>	 <u>216,276</u>	 <u>216,276</u>	 <u>-</u>
 <b>Fund Balances, End of Year</b>	 <u>\$222,717</u>	 <u>\$222,717</u>	 <u>\$272,692</u>	 <u>\$ 49,975</u>

**OCQUEOC TOWNSHIP**

**REQUIRED SUPPLEMENTARY INFORMATION**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
TRUST AND AGENCY FUND – TAX COLLECTION FUND  
For the Fiscal Year Ended March 31, 2007**

	Balance <u>4/1/2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>3/31/2007</u>
<b>ASSETS</b>				
Cash	<u>\$ 6</u>	<u>\$1,218,611</u>	<u>\$1,135,410</u>	<u>\$ 83,207</u>
<b>LIABILITIES</b>				
Due to township	\$ 6	\$ 83,201	\$ -	\$ 83,207
Due to state	-	227,692	227,692	-
Due to county	-	298,862	298,862	-
Due to schools	<u>-</u>	<u>608,856</u>	<u>608,856</u>	<u>-</u>
 Total Liabilities	<u>\$ 6</u>	<u>\$1,218,611</u>	<u>\$1,135,410</u>	<u>\$ 83,207</u>

July 16, 2007

Honorable Township Board  
Ocqueoc Township  
Presque Isle County, Michigan

I wish to express my appreciation for the fine cooperation extended to me during the audit of your Township's Financial Statements.

As required, I have submitted online to the State Treasurer's office a PDL formatted copy of the audited Financial Statements, which included this Letter of Comments and Recommendations as well as the Auditing Procedures Report. The remaining copies of the audited Financial Statements are herewith submitted. At one of your next regular Township Board Meetings the audited Financial Statements should be formally accepted and the copy marked for this purpose made a part of your Minute Book. I will plan to attend that meeting and be prepared to make a brief presentation on the audit.

Prior to this audit I obtained written permission from Township officials to disclose immediately any findings of suspected fraud and/or embezzlement directly to the Deputy State Treasurer. During the course of the audit I noted no instances of suspected fraud and/or embezzlement.

The following comments and recommendations are submitted in the interest of improved accounting procedures, closer compliance with the various state and federal regulations and requirements.

### **Comments and Recommendations Pertaining to the 2006-07 Audit Only**

#### **1. Fiduciary Tax Account**

The tax collection account has not been closed out prior to the end of the fiscal year for the fiscal years ended March 31, 2006 and the audit year March 31, 2007. This requires that the taxes collected and settled with the County Treasurer as well as fees and interest earned be disbursed from the tax collection account to the General Fund. It is this revenue that is the current year's revenue, along with the receivable for uncollected taxes that will be paid by the County Treasurer's tax bond procedures. It appears that the Township got off cycle in fiscal year 2006, which resulted in an understatement of tax revenue in that year.

#### **Recommendation**

The Treasurer should make every effort to close out the tax account as part of the settlement process by transferring the Township tax collections, fees and interest

**Ocqueoc Township**

Letter of Comments and Recommendations

(Continued)

to the General Fund. The account should maintain just the imprest balance required by the bank to keep the account active.

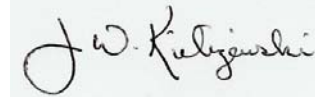
2. **Acceptance by Township Board of Audited Financial Statements**

It is recommended that these audited Financial Statements and Recommendations be accepted by the Township Board by a motion similar to the following:

“Moved by \_\_\_\_\_ and seconded by \_\_\_\_\_, that the Township 2006-07 audited Financial Statements be accepted as presented and that, insofar as possible, the recommendations made by our auditor in his Letter of Comments and Recommendations be followed.”

As stated, I will plan to attend one of your next regular Township Board Meetings. Please let me know of your preferred date as soon as possible.

Sincerely,

A handwritten signature in black ink, appearing to read "J.W. Kieliszewski", is written over a light gray rectangular background.

J.W. Kieliszewski